

Message Text

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ACTION L-02

INFO OCT-01 ARA-06 ISO-00 EB-04 CIAE-00 INR-05 NSAE-00

RSC-01 COME-00 TRSE-00 OPIC-03 AID-05 SP-02 NSC-05

CIEP-01 SS-15 STR-01 OMB-01 CEA-01 PRS-01 PA-01

USIA-06 FEA-01 /062 W

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FM AMEMBASSY BUENOS AIRES

TO SECSTATE WASHDC 8757

C O N F I D E N T I A L BUENOS AIRES 8202

E. O. 11652: GDS

TAGS: ETEL, EINV, AR

SUBJECT: ITT/STANDARD ELECTRIC

REF: A. BA-8020

B. STATE 227541

1. DURING CALL ON MINISTER OF ECONOMY ALFREDO GOMEZ MORALES NOV. 7, I RAISED PROBLEM OF STANDARD ELECTRIC/ITT, EXPLAINING THAT STANDARD WAS IN SERIOUS FINANCIAL DIFFICULTIES AS RESULT OF ENTEL'S FAILURE TO PAY FOR DELIVERIES. ITT SENIOR OFFICIALS DID NOT AT THIS POINT BELIEVE THAT THE FUTURE FOR STANDARD'S OPERATIONS IN ARGENTINA HAD ANY PROMISE, AND WISHED TO WITHDRAW ENTIRELY. ITT'S FAVORED SOLUTION BEING A 100 PERCENT SALE OF STANDARD TO THE GOA OR A GOA AGENT. I SAID THAT PART OF ITT'S DIFFICULTY HAD BEEN THEIR INABILITY TO CONTACT AN OFFICIAL IN THE GOA WITH SUFFICIENT AUTHORITY AND POWER OF DECISION WITH WHOM THEIR PROBLEM COULD BE DISCUSSED EFFECTIVELY. WOULD GOMEZ MORALES INDICATE, I ASKED, HOW AND WITH WHOM ITT COULD DISCUSS ITS PROBLEMS AND WOULD THE MINISTER BE WILLING TO RECEIVE A SENIOR ITT OFFICIAL (GUILFOYLE) HIMSELF.

2. GOMEZ MORALES SAID HE WELL AWARE OF PROBLEM AND REALIZED THAT ITS SERIOUSNESS HAD BEEN COMPOUNDED BY GOA'S DELAY IN DEALING WITH FIRMS. HE WAS DISAPPOINTED, HE SAID, AT ITT'S
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WISH TO WITHDRAW ENTIRELY FROM ARGENTINA SINCE HE FELT ENTEL

AND ARGENTINA HAD MUCH TO GAIN FROM CONTINUED ITT PARTICIPATION IN STANDARD, IF ITT WERE PREPARED TO ACCEPT A MINORITY SHARE POSITION IN A MIXED ENTERPRISE WITH ENTEL. IN GOMEZ MORALES' VIEW, MIXED ENTERPRISES WERE OFTEN ONE OF THE BEST SOLUTIONS FOR DEALING WITH POLITICAL AND OTHER PROBLEMS OF MNE OVERSEAS OPERATIONS, PARTICULARLY SINCE, AS IN THE CASE OF STANDARD, THE RELATIONSHIP BETWEEN MNE AFFILIATE AND LOCAL GOVERNMENT WAS OFTEN THAT OF PRODUCER AND CUSTOMER.

3. GOMEZ MORALES ASKED THE INFORMATION BE HELD IN CONFIDENCE, BUT THAT A NEW SECRETARY OF COMMUNICATIONS HAS BEEN SELECTED AND APPOINTMENT WOULD BE ANNOUNCED, PROBABLY WITHIN THE NEXT FEW DAYS. THEREFORE HE WOULD NOT SUGGEST THAT ITT MAKE FURTHER ATTEMPTS TO MEET WITH PRESENT SECRETARY DELFOR OTERO. WITH APPOINTMENT OF A NEW SECRETARY, A COMMISSION WOULD BE ESTABLISHED TO DEAL WITH STANDARD AND SIEMENS CASES, AND HE EXPECTS THIS GROUP WOULD BE FUNCTIONING IN ABOUT TWO WEEKS. ITT SHOULD SEE THE NEW SECRETARY, AND WORK THROUGH THE COMMISSION, GOMEZ MORALES SAID. HE DID NOT OFFER ANY SOLUTION TO STANDARD'S IMMEDIATE FINANCIAL AND OPERATIONAL DIFFICULTIES.

4. WITH RESPECT TO MY REQUEST THAT GOMEZ MORALES RECEIVE ITT VICE-PRESIDENT GUILFOYLE, HE READILY AGREED IN PRINCIPLE, ALTHOUGH IT WAS CLEAR THAT SUCH AN INTERVIEW WOULD NOT REPLACE ITT DISCUSSION WITH THE NEW SECRETARY OF COMMUNICATIONS AND THE COMMISSION TO BE ESTABLISHED.

5. EMBASSY IS INFORMING LOCAL ITT REP ONLY THAT MEETING WITH GOMEZ MORALES TOOK PLACE AND THAT DETAILS HAVE BEEN REPORTED TO DEPARTMENT. I BELIEVE IT MORE ADVISEABLE FOR DEPARTMENT TO INFORM ITT HEADQUARTERS DIRECT OF ABOVE.
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